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Russian Federation

Poultry and Products

Poultry Production Continues to Grow

2007

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Report Highlights:
Poultry imports increased to $921 million in 2006 from $847 million in 2005 due to higher import prices. Domestic poultry production increased 18.4 percent from 2005 production levels. Russia drafted a new special technical requirement regarding quality and the safety of poultry meat products.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Moscow [RS1]
[RS]

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Executive Summary

An avian influenza outbreak was confirmed in several areas of the Russian Federation. Poultry imports increased to $921 million in 2006 from $847.2 million in 2005 due to higher import prices. The Russian Poultry Union expects that the market share of imported poultry will decrease from 46 percent today to 25 percent by 2012.

Poultry production increased 180,000 metric tons (MT), or by 18.4 percent over 2005. The proportion of poultry meat to total meat production increased from 18 percent in 1990 to 30 percent in 2006, mostly due to a reduction in beef consumption.

Russia drafted a new technical regulation, "Requirements for the safety of meat products, products of its processing and processes of its production." As a result, defrosted poultry meat will be not allowed in the production of semi-ready products.

Production

Broiler production, the most dynamic agricultural sector, is expected to increase 10 percent in 2007. The poultry sector has regained and surpassed pre-1990 production levels, with efficient western-style production facilities boosting production levels and current production exceeding 1990 levels by roughly 3 percent. Poultry production increased by 180,000 metric tons in 2006, or 18.4 percent over 2005 figures. Large agricultural enterprises increased poultry production by 8.8 percent, private farmers by 13.1 percent, and private households by 0.5 percent. Investment into the poultry industry increased twelve-fold, or RUR 22.8 billion (US$875 million). Daily weight gain doubled from 22 to 44 grams, feed conversion reached 1.95, and total meat and poultry production increased by 4.6 percent in 2006 over 2005.

Table 1. Agricultural production in the Russian Federation, 2003- 2006, MMT

	2003	2004	2005	2006
Livestock and poultry, slaughter weight	7.7	7.8	7.6	7.9
Dairy products	33.4	32.2	31.1	31.1
Eggs, billion	36.5	35.8	37.1	38.0
Wool, 1,000 MT	44.6	47.2	48.0	48.1

Source: Russian State Statistic Agency

Table 2: Poultry meat production (thousands of MT)

	Total	Including	
		Agricultural enterprises	Private households
1990	1,800	1252	549
1997	630	373	257
1998	690	431	259
2000	766	501	265
2002	953	678	275
2003	1,044	765	279
2005	1,380	1,094	286
2006 est.	1,550	1,265	285
2007	1,800	1,500-1,600	300
2008	2,000	1,700	300

Source: Russian Union of Poultry Producers

Roughly 13 percent of the total boiler production increase was due to the increase in broiler weight gain from 43 grams in 2005 up to 44.5 grams in 2006. In the broiler industry, 12.5 percent of the weight increase was supplied by the plants providing weight gains of 50 grams per day, 45 percent by those plants increasing weight by 45-50 grams per day, 36 percent by those producing 40-45 grams per day, 5.7 percent provided by those gaining 30-40 grams and 0.8 percent by those increasing weight by less than 30 grams per day.

The share of poultry meat in total meat production increased from 18 percent in 1990 to 30 percent in 2006, mostly due to a reduction in beef consumption.

Table 3 Share of Poultry Meat in Total Meat and Poultry Production, %

	2006	1990
Poultry	30	18
Beef	33	43
pork	32	34
Sheep	3	4

Source: The Federal Statistic Service

Broiler production accounted for 87 percent of the total poultry meat production. Spent hens represented 11 percent, turkey production 1.0 percent, goose production 0.8 percent and duck production 0.2 percent of the total. According to the Russian Union of Poultry Producers, the application of new technologies in the broiler industry has not brought an increase in its profitability level. Avian influenza decreased overall wholesale farm poultry prices while retail prices remained constant. The Russian Union of Poultry Producers also reports that retail poultry prices were 35% higher than farmers' prices in 2006. The calculated average profitability of broiler production was 13-15 percent in 2006, 8 percent lower than in 2005. The decline is due to the increase in production costs combined with lower wholesale prices.

Dr. Fisinin, Vice-President of the Russian Academy of Agricultural Science, emphasized that processing of poultry meat and eggs increased profits by 15 percent. According to Fisinin, producers in the poultry industry should increase their offerings to include an assortment of meat and egg products in order to increase profits. Food processing, baking and confectionary industries demand 100,000 MT of liquid eggs, including 72,000 MT of mélange and 28,000 MT of liquid egg protein. Currently, the domestic industry can offer only 12,000 MT of mélange and 1,700 MT of liquid egg protein.

Feed production

Feed availability was almost 10 percent lower on January 1, 2007 in comparison with January 1, 2006 figures.

Table 4: Feed availability, as of January 1, 2007 MT

	2007	2005	2006
Feed, total conditional units*, MMT	17.7	19.7	19.2
Including feed grain	5.8	5.8	6.0
Per 1 conditional head, conditional units, kilo	1,090	1,200	1,200

Source: The Federal Statistic Service
*One conditional unit equals 1 kilo of oats

Consumption

Domestic poultry consumption continues to grow with per capita consumption increasing to 22.4 kg in 2006 from 12.4 kg in 1990 (source: Russian Union of Poultry Producers). They expect this trend to continue with stable poultry imports and increased domestic production meeting growing demand.

Table 5: Per capita poultry meat consumption

	Kg/Per capita consumption	
	Total	Including domestically produced
1990	12.4	12
1997	13.0	4.3
1998	12.0	4.7
2000	10.0	5.4
2003	15.6	7.3
2004	16.0	8.3
2005	18.8	9.6
2006 est	20.0	10.8
2007	21.4	13.0
2008	22.4	13.9

Source: Russian Union of Poultry Producers

Trade

According to the Federal Statistics Service, poultry imports decreased 1.4 percent to 1.274 million metric tons (MMT) in 2006, compared to 1.318 MMT in 2005. However, higher prices of imported products increased the value of imports to $921 million in 2006, up from $847.2 in 2005. The Russian Poultry Union expects that the share of imported poultry will decrease to 25 percent by 2012, down from 46 percent today.

Table 6 indicates that January-September poultry import volumes have been increasing since 2004. While the preliminary yearly data show that imports for the full year have not increased, this is due to the manner of TRQ reporting and administration by the Ministry of Economic Development and Trade. In 2006 importers were able to start shipping poultry products soon after the year begun and distributed the volumes evenly throughout the year.

Table 6: Quantity of Global Russian Poultry Imports–January through September 2004, 2005, 2006 (in metric tons)

HS	Description	2004	2005	2006
02 MEAT		1,687,563	2,145,402	2,195,673
0207 PLTRY MEAT,OFFAL		748,815	937,690	933,942
020714	CHCK CUT+ED OFL,FRZ	606,220	790,728	816,075
020727	TRKY CUT+ED OFL,FRZ	56,718	49,972	63,163
020712	CHICKEN,WHOLE,FROZN	73,778	74,605	53,826
020726	TRKY CUT+ED OFL F/C	11,456	21,684	333

Source: World Trade Atlas

Egg powder imports are growing. High domestic production costs are the predominant driver in this market. The price of imported powder is RUR25.8 per kilo, while domestically produced powder is RUR156 per kilo (source: Roskar farm).

Import duties

The Russian Federation Government Decree no. 17, dated January 17, 2007, amended Decree no. 732, dated December 5, 2005. The original degree stated that out-of-quota import duty on poultry products were to be reduced from 60 percent but not less than 0.48 Euro/kilo in 2006 to 50 percent but not less than 0.4 euro per kilo in 2007. The new decree leaves the import duty at the 2006 level (see Report RS7008).

Stocks

Poultry stocks in 2007 are expected to be at similar levels as 2006, and fluctuations in the volume of poultry production and imports are not expected.

Product quality

The Russian Poultry Producers Union has developed a draft of special technical regulation, "Requirements for the safety of meat products, products of its processing and processes of its production." There will be legally defined quality and safety guidelines with the intent of limiting content deemed to be hazardous for human consumption in ingredients and substances applied during the process of production. As written, the new regulation excludes the possibility of using imported poultry for MDM production. Defrosted poultry meat will be not allowed for semi-ready products. A draft of the Regulation is ready to be submitted to the State Duma for approval.

Avian Influenza (AI) outbreak in Russia

In February 2007, avian influenza subtype A/H5N1 was confirmed in nine locations in Moscow Oblast, one in Moscow, and two in Adygeya Republic. Precise identification of the virus as to strain was completed and the pathogen was identified as a Type A influenza virus, subtype H5N1, highly pathogenic. The source of infection at all points of Moscow oblast was a bird kept for sale to the general public at a live poultry market located in the city of Moscow. In each of the villages, the infection was limited to a single private household. Action was taken in a timely manner that prevented the spread of the virus. A series of measures is being enacted to contain the outbreak, including disinfections, quarantine, and restriction of transportation. This bolstered virological monitoring within a 10-kilometer radius.

The veterinary services of Adygeya Republic have placed the villages of Ulyap and Dzhambechiy under 21-day quarantine, following disinfection of affected household yards and vaccination of poultry in those villages. All closed-type commercial poultry farms have been shifted to a regime of heightened biological security, and are subject to constant monitoring. No traces of infection have been observed, and infection is not expected.

The 2007 federal budget allocates 950 million rubles (US$ 36.1 million) to AI prevention, Sergey Dankvert, Head of VPSS announced at the session of the Federation Council's Committee on Agriculture and Food Policies in late February. The same line item of the 2006 budget was 711 million rubles. According to Dankvert, 446 domestic birds died from AI and 1500 birds were culled during the outbreak in Moscow oblast. Several countries have restricted imports of poultry from the Russian Federation.

VPSS and Ministry of Public Health state that poultry meat is safe to eat as commercial operations have not been affected. VPSS also explained that hiding an outbreak at a commercial broiler operation would be impossible, since within a day of AI infection, "you would be hauling out the carcasses by the truckload." With regards to allegations that the A/H5N1 virus had been brought to Moscow by bioterrorists, VPSS called the notion "total nonsense." Officials speculated that the virus was introduced to Moscow via Central Asia, the Caucasus region, or possibly the Balkans, but conceded that the precise source remains to be determined.

In 2006, avian influenza was registered in 93 towns in eleven southern Russian regions and five Siberian regions.

PS&D Table

PSD Table										
Country	**Russian Federation**									
Commodity	**Poultry, Meat, Broiler**						(1000 MT)			
	2005 USDA Official	Revised Post Estimate	Post Estimate New	2006 USDA Official	Estimate Post Estimate	Post Estimate New	2007 USDA Official	Forecast Post Estimate	Post Estimate New	UOM
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	80	80	80	59	59	59	48	48	43	(1000 MT)
Production	900	740	900	1080	1080	1180	1260	1260	1300	(1000 MT)
Whole, Imports	90	80	90	90	90	85	100	100	100	(1000 MT)
Parts, Imports	1135	960	1135	1150	1150	1150	1050	1050	1050	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	1225	1040	1225	1240	1240	1235	1150	1150	1150	(1000 MT)
Total Supply	2205	1860	2205	2379	2379	2474	2458	2458	2493	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Exports	7	1	7	1	1	1	1	1	1	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	7	1	7	1	1	1	1	1	1	(1000 MT)
Human Consumption	2139	1810	2139	2330	2330	2430	2400	2400	2440	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	2139	1810	2139	2330	2330	2430	2400	2400	2440	(1000 MT)
Total Use	2146	1811	2146	2331	2331	2431	2401	2401	2441	(1000 MT)
Ending Stocks	59	49	59	48	48	43	57	57	52	(1000 MT)
Total Distribution	2205	1860	2205	2379	2379	2474	2458	2458	2493	(1000 MT)